

**CENTRAL LYON COMMUNITY SCHOOL DISTRICT
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2014**

CENTRAL LYON COMMUNITY SCHOOL DISTRICT

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CENTRAL LYON COMMUNITY SCHOOL DISTRICT

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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**Board of Education
(Before September 2013 Election)**

Steve Sieperda	President	2015
Chet DeJong	Vice President	2013
Judy Gacke	Board Member	2015
David Jans	Board Member	2015
Gail VanBerkum	Board Member	2013

(After September 2013 Election)

Steve Sieperda	President	2015
Chet DeJong	Vice President	2017
Judy Gacke	Board Member	2015
David Jans	Board Member	2015
Scott Postma	Board Member	2017

School Officials

Dave Ackerman	Superintendent	Indefinite
Jackie Wells	District Secretary/Treasurer and Business Manager	Indefinite
Randy Waagmeester	Attorney	Indefinite

EAST, VANDER WOUDE, GRANT & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

www.evwg.net

Paul T. East, CPA
Paul W. Vander Woude, CPA
Rose M. Grant, CPA, MST

707 WEST 11th STREET
Sioux Falls, SD 57104
(605)334-9111
(605)334-2195 FAX

Independent Auditor's Report

To the Board of Education of
Central Lyon Community School District:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Central Lyon Community School District (District), Rock Rapids, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Central Lyon Community School District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 6 through 14 and 38 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Lyon Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The previous audits for June 30, 2006 and 2005 were done by another firm, but were in accordance with the standards referred to in the third paragraph of this report, the financial statements for the years ended June 30, 2006 and 2005 (none of which are presented herein) expressed unqualified opinions on those financial statements. The supplementary information included in Schedules 1 through 6, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 23, 2014 on our consideration of Central Lyon Community School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Central Lyon Community School District's internal control over financial reporting and compliance.

East, Vander Woude, Grant & Co., P.C.

East, Vander Woude, Grant & Co., P.C.
Certified Public Accountants
Sioux Falls, South Dakota
December 23, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

Central Lyon Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2014 Financial Highlights

- General Fund revenues increased from \$7,125,349 in fiscal year 2013 to \$7,197,968 in fiscal year 2014, while General Fund expenditures increased from \$7,173,717 in fiscal year 2013 to \$7,465,625 in fiscal 2014. The District's General Fund balance decreased from \$1,083,990 in fiscal 2013 to \$816,333 in fiscal 2014, a 24.69% decrease. Spending authority has been carefully monitored and must be continued to be monitored for the future financial health of the district.
- The fiscal year 2014 General Fund revenues increase was attributable to increases in state foundation aid. The increase in expenditures was due primarily to an increase in the cost of instruction and support services. As a result, the District funded a portion of the current year General Fund instruction and support services from the carryover fund balance.
- Enrollment declines and a large number of open enrolled out pupils continue to plague the District and create financial burdens now and in the future.

Overview of the Financial Statements

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Central Lyon Community School District as a whole and present an overall view of the District's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Central Lyon Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison to the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor governmental funds.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

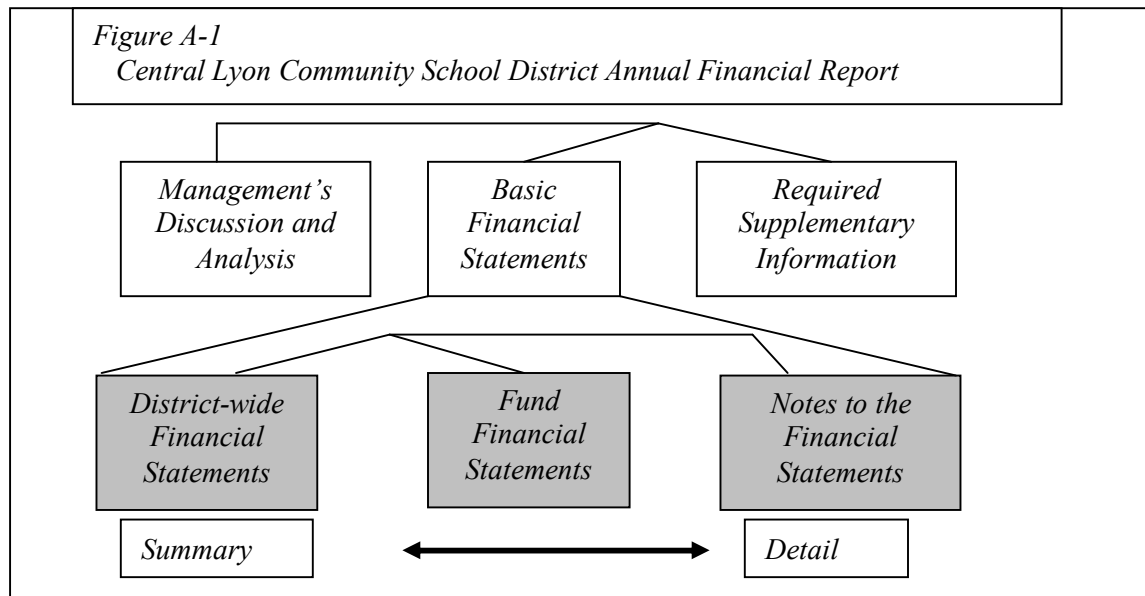


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2: Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the District which are not proprietary or fiduciary, such as special education and building maintenance.	Activities the district operates similar to private businesses: food services and FFA Property are included here.
Required financial statements	<ul style="list-style-type: none"> • Statement of net position • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net position • Statement of revenues, expenses and changes in fund net position • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset /liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both financial and capital, and short-term and long-term.
Type of inflow /outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how it has changed. Net position is one way to measure the District's financial health or position. Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help it cover the costs of certain services it provides. The District's school nutrition program and FFA property are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the district as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has two kinds of funds:

- *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance.

- *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, a type of proprietary fund, is

the same as its business-type activities, but provides more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and FFA Property Fund.

The required financial statements for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net position at June 30, 2014 compared to June 30, 2013.

Figure A-3 Condensed Statement of Net Position (Expressed in Thousands)								
	Governmental Activities		Business type Activities		Total Activities		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2014	2013	2014	2013	2014	2013	2013-2014	%
Current and other assets	\$ 6,797	\$ 6,373	\$ 119	\$ 90	\$ 6,916	\$ 6,463	453	7.01%
Capital assets	9,528	9,660	89	91	9,617	9,751	(134)	(1.37%)
Total assets	16,325	16,033	208	181	16,533	16,214	319	1.97%
Long-term liabilities	450	628	-	-	450	628	(178)	(28.34%)
Other Liabilities	791	814	3	5	794	819	(25)	(3.05%)
Total liabilities	1,241	1,442	3	5	1,244	1,447	(203)	(14.03%)
Deferred inflows of resources	3,589	3,302	6	5	3,595	3,307	288	8.71%
Net Position								
Net investment in capital assets	9,309	9,071	89	91	9,398	9,162	236	2.58%
Restricted	1,571	1,264	-	-	1,571	1,264	307	24.29%
Unrestricted	615	954	110	80	725	1,034	(309)	(29.88%)
Total net position	\$ 11,495	\$ 11,289	\$ 199	\$ 171	\$ 11,694	\$ 11,460	234	2.04%

The District's combined net position increased 2.04%, or approximately \$234,000, over the prior year. The largest portion of the District's net position is invested in capital assets (e.g., land, infrastructure, intangibles, building and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net position represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net position increased approximately \$307,000 or 24.29% over the prior year. The increase was primarily due to a decreased in expenditures for the restricted revenues.

Unrestricted net position is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or the legal requirements of decreased approximately \$309,000 or 29.88%. This decrease in unrestricted net position was a result of the District's increases in instruction and support services expenditures.

Figure A-4 shows the changes in net position for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-4 Changes in Net Position (Expressed in Thousands)							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2014	2013	2014	2013	2014	2013	2013-2014
Revenue							
Program revenue:							
Charges for service	\$ 752	\$ 733	\$ 259	\$ 245	\$ 1,011	\$ 978	3.374%
Operating grants, contributions and restricted interest	1,443	1,290	147	132	1,590	1,422	11.814%
General revenues:							
Property tax	3,394	3,286	-	-	3,394	3,286	3.287%
Statewide sales and service tax	579	603	-	-	579	603	(3.980%)
Unrestricted state grants	2,885	2,901	3	3	2,888	2,904	(0.551%)
Other	29	15	-	1	29	16	81.250%
Total revenues	9,082	8,828	409	381	9,491	9,209	3.062%
Program expenses:							
Governmental activities:							
Instruction	6,388	6,037	-	-	6,388	6,037	5.814%
Support service	2,153	1,944	-	-	2,153	1,944	10.751%
Non-instructional programs	-	-	381	403	381	403	(5.459%)
Other expenses	335	332	-	-	335	332	0.904%
Total expenses	8,876	8,313	381	403	9,257	8,716	6.207%
Increase (decrease) in net position	206	515	28	(22)	234	493	(52.535%)
Net position beginning of year	11,289	10,774	171	193	11,460	10,967	4.495%
Net position end of year	\$ 11,495	\$ 11,289	\$ 199	\$ 171	\$ 11,694	\$ 11,460	2.042%

In fiscal 2014, property tax, statewide sales and service tax, and unrestricted state grants account for 75.51% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 100% of the revenue from business type activities. The District's total revenues were approximately \$9.491 million of which \$9.082 million was for governmental activities and .409 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 3.062% increase in revenues and a 6.207% increase in expenses. Unrestricted state grants decreased approximately \$16,000 and the operating and capital grants, contributions and restricted interest increased approximately \$168,000. There was an increase in property taxes of \$108,000 and a decrease in the statewide sales and service taxes of \$24,000. The increases in expenses related to increases in the negotiated salaries, benefits and the purchase of laptops and iPods for the District.

Governmental Activities

Revenues for governmental activities were \$9,081,536 and expenses were \$8,876,118. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2014 compared to the year ended June 30, 2013.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2014	2013	Change 2013-2014	2014	2013	Change 2013-2014
Instruction	\$ 6,388	\$ 6,037	5.81%	\$ 4,826	\$ 4,576	5.46%
Support services	2,152	1,943	10.76%	1,806	1,662	8.66%
Non-instructional programs	-	-	0.00%	-	-	0.00%
Other expenses	336	333	0.90%	49	52	(5.77%)
Totals	<u>\$ 8,876</u>	<u>\$ 8,313</u>	6.77%	<u>\$ 6,681</u>	<u>\$ 6,290</u>	6.22%

For the year ended June 30, 2014:

- The cost financed by users of the District's programs was \$751,531.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,443,381.
- The net cost of governmental activities was financed with \$3,393,945 in property, \$ 579,148 in statewide sales and services tax and \$2,884,772 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$409,801 representing a 7.74% increase over the prior year while expenses totaled \$381,482, a 5.29% increase over the prior year. The District's business type activities include the School Nutrition Fund and FFA Property. Revenue of these activities was comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Central Lyon Community School District uses the fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$2,364,795, compared to last year's ending fund balances of \$2,240,409. However, the primary reason for the increase in combined fund balances in fiscal 2014 is due to the increases in revenue and decreases in support services and general obligation debt expenditures.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. Growth during the year in State and Federal sources but decreases in property taxes. However, the increase in expenditures required the District to use carryover fund balance to meet its financial obligations during the year. The General Fund balance decreased from \$1,083,990 to \$816,333 due to the increases in instruction and support services expenditures.
- The Debt Service Fund balance decreased from \$11,937 in fiscal 2013 to \$5,451 in fiscal 2014. While property tax revenues increased from the prior year, the District decreased the transfers in from statewide sales and services taxes to pay the debt service payments due during the year.
- The Capital Projects Fund balance increased from \$706,246 in 2013 to \$1,051,681 in 2014. This was mainly due to increases in property taxes and decreases in instruction, support services, and transfers to debt services.

Proprietary Fund Highlights

School Nutrition Fund net position increased from \$130,238 at June 30, 2013 to \$160,521 at June 30, 2014, representing an increase of approximately 23.25%. For fiscal 2014, the District's salaries, benefits, and supplies decreased from the prior year as well as an increase in federal revenue sources resulting in the increase in net position.

BUDGETARY HIGHLIGHTS

The District did not amend its budget during the year, so the original and final budget amounts remain the same.

The District's receipts were \$62,963 less than budgeted receipts, with a variance of .659%. The actual local, state and federal revenues all increase during the year over the prior year.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget.

As a result, the District's certified budget should exceed actual expenditures for the year. The certified budget was not exceeded in the current year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2014, the District had invested \$9.618 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net decrease of 1.37% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$556,695.

The original cost of the District's capital assets was \$17.237 million. Governmental funds account for \$17.062 million, with the remainder of \$.175 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the improvements other than buildings, construction in progress, and furniture and equipment categories. The District replaced the elementary school roof, added laptops, IPADs, smartboards, Chevy Express van and started with plans for an addition to the school building.

Figure A-6								
Capital Assets, net of Depreciation								
(expressed in thousands)								
	Governmental		Business type		Total		Total	
	Activities		Activities		School District		Change	
	June 30,		June 30,		June 30,		June 30,	
	2014	2013	2014	2013	2014	2013	2013-2014	
Land	\$ 51	\$ 51	\$ -	\$ -	\$ 51	\$ 51	0.00%	
Construction in progress	57	-			57	-	100.00%	
Buildings	7,061	7,392	-	-	7,061	7,392	(4.48%)	
Improvements other than buildings	833	725	-	-	833	725	14.90%	
Furniture and Equipment	1,527	1,493	89	91	1,616	1,584	2.02%	
Totals	\$ 9,529	\$ 9,661	\$ 89	\$ 91	\$ 9,618	\$ 9,752	(1.37%)	

Long-Term Debt

At June 30, 2014, the District had \$490,992 in general obligation, revenue and other long-term debt outstanding. This represents a decrease of approximately 26.50% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

The District continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the District's debt. The Constitution of the State of Iowa limits the amount of general obligation debt districts can issue to 5 percent of the assessed value of all taxable property within the District. The District's outstanding general obligation debt is significantly below its constitutional debt limit of approximately \$18.55 million.

The District had total outstanding bonded indebtedness of \$220,000; early retirement of \$230,000; and compensated absences of \$40,992 at June 30, 2014.

Figure A-7				
Outstanding Long-Term Obligations				
(Expressed in Thousands)				
	Total		Total	
	School District		Change	
	June 30,		June 30,	
	2014	2013	2013-2014	
General Obligation Bonds	\$ 220	\$ 590	(62.71%)	
Early Retirement	230	38	505.26%	
Compensated Absences	41	40	2.50%	
	\$ 491	\$ 668	(26.50%)	

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of two existing circumstances that could significantly affect its financial health in the future:

- The financial history of the State of Iowa's support for public K-12 schools has translated into restricted levels of state aid funding for education at the local level.

Future needs of the district will continue to grow and it is hoped that allowable growth would match the needs of public K-12 education.

- District budgeted enrollment for fiscal year 2013-2014 was 696.5 students. Under Iowa's school finance formula, funding is highly dependent upon enrollment. During the 2013-2014 school year, Central Lyon students who open enroll out to other districts decreased from 62 to 56 students. Because Central Lyon is the resident district, the student is counted for state funding, but then funding is paid to the receiving district. Future enrollment stability is a critical element in maintaining a sound financial foundation.
- The District entered into a new two-year bargaining agreement with the Central Lyon Education Teacher Association (CLTA) in May 2013 with an increase of 3.9% for 2013-14 school year and 4.4% increase for 2014-15 school-year. Settlements in excess of new money or allowable growth in state funding will have a continuing adverse effect of the District's General Fund budget and related fund balance.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jackie Wells, Board Secretary/Business Manager at the Central Lyon Community School District, 1105 S. Story St., Rock Rapids, IA 51246 or 712-472-2664.

BASIC FINANCIAL STATEMENTS

Central Lyon Community School District

Central Lyon Community School District
Statement of Net Position
Year Ended June 30, 2014

Exhibit A

	Governmental Activities	Business Type Activities	Totals
Assets			
Cash, cash equivalents and pooled investments	\$ 2,839,204	\$ 74,708	\$ 2,913,912
Receivables:			
Property tax:			
Delinquent	31,101	-	31,101
Succeeding year	3,268,969	-	3,268,969
Local option sales taxes	207,840	-	207,840
Accounts	129,373	-	129,373
Accrued interest:			
Other	63	-	63
Due from other governments	320,253	-	320,253
Inventories	-	44,692	44,692
Capital assets, net of accumulated depreciation	9,528,660	88,842	9,617,502
Total assets	\$ 16,325,463	\$ 208,242	\$ 16,533,705
Liabilities			
Accounts payable	\$ 128,975	\$ 489	\$ 129,464
Salaries and benefits payable	620,819	2,402	623,221
Accrued interest payable	550	-	550
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	220,000	-	220,000
Early retirement	52,000	-	52,000
Compensated absences	40,992	-	40,992
Portion due after one year:			
Early retirement	178,000	-	178,000
Total liabilities	1,241,336	2,891	1,244,227
Deferred Inflows of Resources			
Unavailable property tax revenue	3,268,969	-	3,268,969
Other	320,253	6,139	326,392
	3,589,222	6,139	3,595,361
Net Position			
Net investment in capital assets	9,308,660	88,841	9,397,501
Restricted for:			
Categorical funding	175,315		175,315
Debt service	4,107	-	4,107
Public education & recreation levy	179,454	-	179,454
Physical plant and equipment levy	157,766	-	157,766
Other special revenue purposes	160,938	-	160,938
Capital projects	893,915	-	893,915
Unrestricted	614,750	110,371	725,121
Total net position	\$ 11,494,905	\$ 199,212	\$ 11,694,117

See notes to financial statements.

Central Lyon Community School District
Statement of Activities
Year Ended June 30, 2014

Functions/Programs	Program Revenues			
	Expenses	Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Governmental activities:				
Instruction:				
Regular instruction	\$ 4,256,672	\$ 205,768	\$ 693,334	\$ -
Special instruction	1,052,264	-	114,492	-
Other instruction	1,078,904	531,160	16,831	-
	6,387,840	736,928	824,657	-
Support services:				
Student services	68,930	-	115,936	-
Instructional staff services	336,813	-	-	-
Administration services	693,724	-	3,548	-
Operation and maintenance of plant services	686,708	14,603	179,070	-
Transportation services	367,274	-	34,295	-
	2,153,449	14,603	332,849	-
Non-instructional programs	-	-	-	-
Other expenses:				
Facilities acquisition	32,249	-	-	-
Long-term debt interest	16,936	-	231	-
AEA flow through	285,644	-	285,644	-
	334,829	-	285,875	-
Total governmental activities	8,876,118	751,531	1,443,381	-
Business type activities:				
Non-instructional programs:				
Food service and FFA operations	381,482	259,137	150,586	-
Total	\$ 9,257,600	\$ 1,010,668	\$ 1,593,967	\$ -
General Revenues:				
Property tax levied for:				
General purposes				
Debt service				
Capital outlay				
Statewide sales and services tax				
Unrestricted state grants				
Unrestricted investment earnings				
Other				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				

See notes to financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
\$ (3,357,570)	\$ -	\$ (3,357,570)
(937,772)	-	(937,772)
(530,913)	-	(530,913)
(4,826,255)	-	(4,826,255)
47,006	-	47,006
(336,813)	-	(336,813)
(690,176)	-	(690,176)
(493,035)	-	(493,035)
(332,979)	-	(332,979)
(1,805,997)	-	(1,805,997)
-	-	-
(32,249)	-	(32,249)
(16,705)	-	(16,705)
-	-	-
(48,954)	-	(48,954)
(6,681,206)	-	(6,681,206)
-	28,241	28,241
(6,681,206)	28,241	(6,652,965)
2,858,181	-	2,858,181
276,591	-	276,591
259,173	-	259,173
579,148	-	579,148
2,884,772	-	2,884,772
9,941	78	10,019
18,818	-	18,818
6,886,624	78	6,886,702
205,418	28,319	233,737
11,289,487	170,893	11,460,380
\$ 11,494,905	\$ 199,212	\$ 11,694,117

Central Lyon Community School District
Balance Sheet ó Governmental Funds
June 30, 2014

Exhibit C

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Assets					
Cash and pooled investments:					
Other	\$ 1,430,588	\$ 2,455	\$ 864,595	\$ 541,566	\$ 2,839,204
Receivables:					
Property tax:					
Delinquent	23,249	2,996	2,482	2,374	31,101
Succeeding year	2,658,465	227,099	250,590	132,815	3,268,969
Local option sales taxes	-	-	207,840	-	207,840
Accounts	129,373	-	-	-	129,373
Accrued interest:					
Other	-	-	-	63	63
Due from other governments	320,253	-	-	-	320,253
Total assets	<u>4,561,928</u>	<u>232,550</u>	<u>1,325,507</u>	<u>676,818</u>	<u>6,796,803</u>
Liabilities, Deferred Inflows of Resources and Fund Balances					
Liabilities:					
Accounts payable	146,058	-	23,236	673	169,967
Salaries and benefits payable	620,819	-	-	52,000	672,819
Total liabilities	<u>766,877</u>	<u>-</u>	<u>23,236</u>	<u>52,673</u>	<u>842,786</u>
Deferred Inflows of Resources					
Unavailable revenue:					
Succeeding year property tax	2,658,465	227,099	250,590	132,815	3,268,969
Other	320,253	-	-	-	320,253
Total deferred Inflows of resource	<u>2,978,718</u>	<u>227,099</u>	<u>250,590</u>	<u>132,815</u>	<u>3,589,222</u>
Fund balances:					
Restricted for:					
Categorical funding	175,315	-	-	-	175,315
Debt service	-	5,451	-	-	5,451
Entrepreneurial education activities					
Management levy	-	-	-	150,938	150,938
Student activities	-	-	-	160,938	160,938
School infrastructure	-	-	893,915	-	893,915
Public education and recreation levy	-	-	-	179,454	179,454
Physical plant and equipment	-	-	157,766	-	157,766
Unassigned	641,018	-	-	-	641,018
Total fund balances	<u>816,333</u>	<u>5,451</u>	<u>1,051,681</u>	<u>491,330</u>	<u>2,364,795</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 4,561,928</u>	<u>\$ 232,550</u>	<u>\$ 1,325,507</u>	<u>\$ 676,818</u>	<u>\$ 6,796,803</u>

See notes to financial statements.

Central Lyon Community School District
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position
June 30, 2014

Exhibit D

Total fund balances of governmental funds (page 20)	\$ 2,364,795
Amounts reported for governmental activities in the Statements of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	9,528,660
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(550)
Long-term liabilities, including bonds and notes payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(398,000)</u>
Net position of governmental activities (page 17)	<u><u>\$ 11,494,905</u></u>

See notes to financial statements.

Central Lyon Community School District
Statement of Revenues, Expenditures and
Changes in Fund Balances ó Governmental Funds
Year Ended June 30, 2014

Exhibit E

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:					
Local sources:					
Local tax	\$ 2,657,988	\$ 276,591	\$ 229,171	\$ 230,195	\$ 3,393,945
Tuition	114,019	-	-	-	114,019
Other	277,109	229	31,520	536,714	845,572
Intermediate sources	285,644	-	-	-	285,644
State sources	3,595,752	-	579,148	-	4,174,900
Federal sources	267,456	-	-	-	267,456
Total Revenues	7,197,968	276,820	839,839	766,909	9,081,536
Expenditures:					
Current:					
Instruction:					
Regular instruction	3,717,474	-	64,017	52,000	3,833,491
Special instruction	1,058,822	-	-	-	1,058,822
Other instruction	534,815	-	-	544,089	1,078,904
	5,311,111	-	64,017	596,089	5,971,217
Support services:					
Student services	68,930	-	-	-	68,930
Instructional staff services	234,805	-	-	-	234,805
Administration services	693,724	-	-	-	693,724
Operation and maintenance of plant services	546,871	-	13,403	117,726	678,000
Transportation services	324,540	-	58,420	-	382,960
	1,868,870	-	71,823	117,726	2,058,419
Non-instructional programs	-	-	-	-	-
Other expenditures:					
Facilities acquisition	-	-	254,040	-	254,040
Long-term debt interest	-	17,830	-	-	17,830
AEA flow through	285,644	-	-	-	285,644
	285,644	17,830	254,040	-	557,514
Total expenditures	7,465,625	17,830	389,880	713,815	8,587,150
Excess (deficiency) of revenues over (under) expenditures	(267,657)	258,990	449,959	53,094	494,386
Other financing sources (uses):					
Operating transfers in (out)	-	104,524	(104,524)	-	-
General obligation bonds	-	(370,000)	-	-	(370,000)
Total other financing sources (uses)	-	(265,476)	(104,524)	-	(370,000)
Net change in fund balances	(267,657)	(6,486)	345,435	53,094	124,386
Fund balances beginning of year	1,083,990	11,937	706,246	438,236	2,240,409
Fund balances end of year	\$ 816,333	\$ 5,451	\$ 1,051,681	\$ 491,330	\$ 2,364,795

See notes to financial statements.

Central Lyon Community School District
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2014

Exhibit F

Net change in fund balance - total governmental funds (page 22) \$ 124,386

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as

Expenditures for capital assets	422,252	
Depreciation expense	<u>(554,114)</u>	(131,862)

Proceeds from issuing long-term liabilities provided current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year repayments exceeded issues, as follows:

Repaid	<u>370,000</u>	370,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	<u>(158,000)</u>	<u>(158,000)</u>
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Change in net position of governmental activities (page 19) \$ 205,418

See notes to financial statements.

Central Lyon Community School District
Statement of Net Position - Proprietary Funds
June 30, 2014

Exhibit G

	School Nutrition	FFA Property	Proprietary Totals
Assets			
Cash and cash equivalents	\$ 74,452	\$ 256	\$ 74,708
Inventories	6,067	38,625	44,692
Capital assets, net of accumulated depreciation	88,842	-	88,842
Total assets	\$ 169,361	\$ 38,881	\$ 208,242
Liabilities			
Accounts payable	\$ 299	\$ 190	\$ 489
Salaries and benefits payable	2,402	-	2,402
Total Liabilities	2,701	190	2,891
Deferred Inflows of Resources			
Unavailable revenue:			
Other	6,139	-	6,139
Total deferred Inflows of resources	6,139	-	6,139
Net Position			
Net Investment in capital assets	88,841	-	88,841
Unrestricted	71,680	38,691	110,371
Total Net Position	\$ 160,521	\$ 38,691	\$ 199,212

See notes to financial statements.

Central Lyon Community School District
Statement of Revenues, Expenditures and Changes in Fund Net Position -Proprietary Funds
Year Ended June 30, 2014

Exhibit H

	School Nutrition	FFA Property	Proprietary Totals
Operating revenues:			
Local sources:			
Charges for service	\$ 226,044	\$ 33,093	\$ 259,137
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	115,377	-	115,377
Benefits	18,789	-	18,789
Purchased services	13,568	-	13,568
Supplies	196,110	35,057	231,167
Depreciation	2,581	-	2,581
Total operating expenses	346,425	35,057	381,482
Operating (loss) Income	(120,381)	(1,964)	(122,345)
Non-operating revenues:			
State sources	3,171	-	3,171
Federal sources	147,415	-	147,415
Interest income	78	-	78
Total non-operating revenues	150,664	-	150,664
Change in net position	30,283	(1,964)	28,319
Net position beginning of year	130,238	40,655	170,893
Net position end of year	\$ 160,521	\$ 38,691	\$ 199,212

See notes to financial statements.

Central Lyon Community School District
Statement of Cash Flows - Proprietary Funds
Year Ended June 30, 2014

Exhibit I

	School Nutrition	FFA Property	Proprietary Totals
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 226,888	\$ -	\$ 226,888
Cash received from miscellaneous services	-	33,093	33,093
Cash paid to employees for services	(136,422)	-	(136,422)
Cash paid to suppliers for goods or services	(189,117)	(33,044)	(222,161)
Net cash used by operating activities	(98,651)	49	(98,602)
Cash flows from non-capital financing activities:			
State grants received	3,171	-	3,171
Federal grants received	125,687	-	125,687
Net cash provided by non-capital financing activities	128,858	-	128,858
Cash flows from investing activities:			
Interest on investments	78	-	78
Net increase (decrease) in cash and cash equivalents	30,285	49	30,334
Cash and cash equivalents beginning of year	44,167	207	44,374
Cash and cash equivalents end of year	\$ 74,452	\$ 256	\$ 74,708
Reconciliation of operating loss to net cash used by operating activities			
Operating (loss) income	\$ (120,381)	\$ (1,964)	\$ (122,345)
Adjustments to reconcile operating (loss) income to net cash used by operating activities			
Commodities used	21,728	-	21,728
Depreciation	2,581	-	2,581
(Increase) decrease in inventories	(1,466)	2,075	609
Increase (decrease) in accounts payable	299	(62)	237
Increase (decrease) in deferred revenue	844	-	844
Increase (decrease) in salaries and benefits payable	(2,256)	-	(2,256)
Net cash used in operating activities	\$ (98,651)	\$ 49	\$ (98,602)

See notes to financial statements.

Central Lyon Community School District
Notes to Financial Statements
June 30, 2014

(1) Summary of Significant Accounting Policies

The Central Lyon Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the cities of Rock Rapids and Doon, Iowa, and the predominant agricultural territory in Central Lyon County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Central Lyon Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The District has no component units which meet the Governmental Accounting Standards Board criteria.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely, to a significant extent on fees and charges for service.

The Statement of Net Position presents the District's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net Investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of net position not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Central Lyon Community School District
Notes to Financial Statements
June 30, 2014

Fund Financial Statements 6 Separate financial statements are provided for governmental and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. Combining schedules are also included for the Capital Project Fund accounts.

The District reports the following major governmental funds:

The General Fund is the main operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities and other capital assets.

The District reports the following major proprietary fund:

The District's major proprietary fund is the School Nutrition Fund. This fund is used to account for the food service operations of the District. The other proprietary fund is the FFA Property Fund which is used to account for the FFA cattle raising operations.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net positions available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward

Central Lyon Community School District
Notes to Financial Statements
June 30, 2014

restricted fund balance and then to less-restrictive classifications of committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for the Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum-adjusting entries to the cash basis financial records.

D. Assets, Liabilities, Deferred Inflows of Resources and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents of The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit, which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable of Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments, is based on January 1, 2012 assessed property valuations, is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2013.

Due from Other Governments of Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories of Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets of Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the

Central Lyon Community School District
Notes to Financial Statements
June 30, 2014

government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of one year.

Asset Class	Amount
Land	\$ 5,000
Buildings	5,000
Improvements other than buildings	5,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	5,000

Capital Assets are depreciated using the straight-line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (in Years)
Buildings	50
Improvements other than buildings	20 - 50
Furniture and equipment:	5 - 15

Salaries and Benefits Payable ó Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Compensated Absences ó District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Long-term liabilities ó In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Deferred Inflow of Resources ó Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflow of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflow of resources consists of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflow of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Central Lyon Community School District
Notes to Financial Statements
June 30, 2014

Fund Equity ó In the governmental fund financial statements, fund balances are classified as follows:

Restricted ó Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned ó All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, the expenditures did not exceed the amounts budgeted.

(2) **Cash, Cash Equivalents and Pooled Investments**

The District's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the District had investments in the Iowa Schools Joint Investment Trust Direct Government Obligations Portfolio which are valued at an amortized cost of \$135,435.72 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor's Financial Services.

(3) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to:	Transfer from Account:	Amount
Debt Service	Local Option Sales	\$ 104,524
		<u>\$ 104,524</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) **Categorical Funding**

The District's reserved fund balance for categorical funding at June 30, 2014 is comprised of the following programs:

Program	Amount
Statewide Voluntary Four-Year-Old Preschool Program	\$ 124,218
Teacher Salary Improvement	162
Early Literacy	13,279
Professional Development for ICC	19,842
TLC Planning Grant	4,783
Educator Quality, Professional Development	13,031
	<u>\$ 175,315</u>

Central Lyon Community School District
Notes to Financial Statements
June 30, 2014

(5) Capital Assets

Capital assets activity for the year ended June 30, 2014 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 51,000	\$ -	\$ -	\$ 51,000
Construction in progress	-	56,964	-	56,964
Total capital assets not being depreciated	51,000	56,964	-	107,964
Capital assets being depreciated:				
Buildings	12,725,562	-	-	12,725,562
Improvements other than buildings	1,176,258	167,267	-	1,343,525
Furniture and equipment	2,768,312	198,021	81,233	2,885,100
Total capital assets being depreciated	16,670,132	365,288	81,233	16,954,187
Less accumulated depreciation for:				
Buildings	5,333,691	330,671	-	5,664,362
Improvements other than buildings	451,107	59,293	-	510,400
Furniture and equipment	1,275,812	164,150	81,233	1,358,729
Total accumulated depreciation	7,060,610	554,114	81,233	7,533,491
Total capital assets being depreciated, net	9,609,522	(188,826)	-	9,420,696
Governmental activities capital assets, net	\$ 9,660,522	\$ (131,862)	\$ -	\$ 9,528,660
Business type activities:				
Furniture and equipment	\$ 175,485	\$ -	\$ -	\$ 175,485
less accumulated depreciation	84,062	2,581	-	86,643
Business type activities capital assets, net	\$ 91,423	\$ (2,581)	\$ -	\$ 88,842

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular \$ 400,664

Support services:

Instructional staff 102,008

Operation and maintenance of plant 8,708

Transportation 42,734

Total depreciation expense - governmental activities \$ 554,114

Business type activities:

Food service operations \$ 2,581

Central Lyon Community School District
Notes to Financial Statements
June 30, 2014

(6) Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2014, is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General Obligation Bonds	\$ 590,000	\$ -	\$ 370,000	\$ 220,000	\$ 220,000
Early Retirement	38,000	210,000	18,000	230,000	52,000
Compensated Absences	40,198	40,992	40,198	40,992	40,992
Total	<u>\$ 668,198</u>	<u>\$ 250,992</u>	<u>\$ 428,198</u>	<u>\$ 490,992</u>	<u>\$ 312,992</u>

Details of the District's June 30, 2014, general obligation bonded and capital lease indebtedness are as follows:

Year Ending June 30,	Bond Issue of July 1, 2003			
	Interest Rate	Principal	Interest	Total
2015	2.875%	\$ 220,000	\$ 6,600	\$ 226,600
Total		<u>\$ 220,000</u>	<u>\$ 6,600</u>	<u>\$ 226,600</u>

During the year ended June 30, 2014, the District made principal and interest payments totaling \$387,330 under the agreements.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute, to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, IA, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the District is required to contribute 8.93% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$413,497, \$380,726 and \$338,245 respectively, equal to the required contributions for each year.

(8) Other Postemployment Benefits (OPEB)

Plan Description ó The District offers a single-employer early retirement incentive plan which provides health insurance benefits to teachers, administrators, and business managers who are between the ages of 55 and 62 with 10 or more years of service at retirement.

The benefit is in the form of a cash payment as a Health Reimbursement Arrangement (HRA) account in \$10,000 increments for three consecutive years. Additionally the eligible teachers shall be compensated \$10 a day for unused sick leave up to a total of 105 days, which will be paid out as a lump sum by June 30.

Funding Policy ó The District currently finances the postretirement benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation ó The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on

Central Lyon Community School District
Notes to Financial Statements
June 30, 2014

an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 33,178
Interest on Net OPEB Obligation	1,305
Adjustment to annual required contribution	<u>(1,157)</u>
Annual OPEB Cost	33,326
Contributions made	<u>-</u>
Increase in Net OPEB Obligation	33,326
Net OPEB obligation-beginning of year	<u>37,594</u>
Net OPEB obligation-end of year	<u><u>\$ 70,920</u></u>

The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the District contributed \$0 to the medical plan. Plan members eligible for benefits contributed \$0 or 0.0% of the premium costs.

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2013. The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

Year Ended June 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 33,326	0%	\$ 29,000
2013	33,326	0%	37,594
2014	33,326	0%	70,920

Funding Status and Funding Progress ó As of July 1, 2013, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$291,820, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$291,820. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$4,694,077 and the ratio of the UAAL to covered payroll was 6.22%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions ó Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial statements, presents the multiyear trend information whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to

Central Lyon Community School District
Notes to Financial Statements
June 30, 2014

reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2013 actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 5.00%. The ultimate medical trend rate is 5.00%.

Life expectancy by gender comes from the *Life Expectancy* Table from National Center for Health Statistics updated in 2008. Employees are assumed to retire at the latest of age 60 or the eligibility age. Table 1 of GASB 45 paragraph 35(b) is used to assign the probability of remaining employed until assumed retirement age.

Projected claim costs of the medical plan are \$927 per month for retirees less than age 65 and not available for retirees who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized over the maximum allowable period of 60 years on an open basis.

(9) Termination Benefits

The District has offered a voluntary early retirement plans to its employees.

During the 2012-2013 year a voluntary early retirement plan was offered. The eligible employees to the current plan must have completed at least ten years of full-time service to the District and must have reached the age of fifty-five and must apply by December 14, 2013. The benefit shall be \$30,000 paid as a Health Reimbursement Arrangement (HRA) account in \$10,000 increments paid by June 30 for three consecutive years. There was one participant who retired early. Actual early retirement expenditures for this plan for the year ended June 30, 2014 totaled \$10,000. The policy requires benefits be paid in three equal installments with the second and third payments will be paid July 1, 2014 and July 1, 2015 of \$10,000 each year.

During the 2013-2014 year a voluntary early retirement plan was offered. The eligible employees to the current plan must have completed at least ten years of full-time service to the District and must have reached the age of fifty-five and must apply by December 14, 2013. The benefit shall be \$30,000 paid as a Health Reimbursement Arrangement (HRA) account in \$6,000 increments paid by June 30 for five consecutive years. There were seven participants who retired early. Actual early retirement expenditures for this plan for the year ended June 30, 2014 totaled \$0. The policy requires benefits be paid in six equal installments beginning July 1, 2014. The remaining installments will be paid July 1, 2015, July 1, 2016, July 1, 2017, and July 1, 2018 of \$6,000 each year for each retiree.

At June 30, 2014, the District has obligations to eight participants with a total liability of \$230,000. Actual early retirement expenditures for the year ended June 30, 2014 totaled \$18,000.

Year Ending June 30,	Amount
2013	\$ 52,000
2014	52,000
2015	42,000
2016	42,000
2017	42,000
	\$ 230,000

(10) Risk Management

Central Lyon Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes

Central Lyon Community School District
Notes to Financial Statements
June 30, 2014

liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$285,644 for the year ended June 30, 2014, and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(12) Operating Lease Agreement

The District entered into a three-year operating lease agreement for three copiers on August 19, 2013. Payments are made monthly of \$829.70 and will end September 2016 with total payments in the current year of \$8,297. The future minimum rental payments required under the above operating lease as of June 30, 2014 is \$21,572.20.

(13) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions ó an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

(14) Subsequent Event

On October 28, 2014 the District approved the bidding participant finance package for the school's infrastructure sales, services and use tax revenue bonds, series 2014. The District also approved the construction bid for an addition to the School from Hoogendoorn Construction Inc. with a base bid of \$3,456,000 and addendums of \$42,400 for a total of \$3,498,400.

Central Lyon Community School District
Required Supplementary Information

Central Lyon Community School District
 Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Balances -
 Budget and Actual - All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Revenues:			
Local sources	\$ 4,353,536	\$ 259,215	\$ 4,612,751
Intermediate sources	-	-	-
State sources	4,460,544	3,171	4,463,715
Federal sources	267,456	147,415	414,871
Total revenues	<u>9,081,536</u>	<u>409,801</u>	<u>9,491,337</u>
Expenditures:			
Instruction	5,971,217	-	5,971,217
Support services	2,058,419	-	2,058,419
Non-instructional programs	-	381,482	381,482
Other expenditures	927,514	-	927,514
Total expenditures	<u>8,957,150</u>	<u>381,482</u>	<u>9,338,632</u>
Excess of revenues under expenditures	<u>124,386</u>	<u>28,319</u>	<u>152,705</u>
Other financing sources, net	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	124,386	28,319	152,705
Balances beginning of year	<u>2,240,409</u>	<u>170,893</u>	<u>2,411,302</u>
Balances end of year	<u>\$ 2,364,795</u>	<u>\$ 199,212</u>	<u>\$ 2,564,007</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Actual Variance	
Original	Final		
\$ 5,254,139	\$ 5,254,139	\$	(641,388)
-	-	-	-
3,685,161	3,685,161		778,554
615,000	615,000		(200,129)
9,554,300	9,554,300		(62,963)
6,585,000	6,585,000		(613,783)
2,363,500	2,363,500		(305,081)
490,000	490,000		(108,518)
956,402	956,402		(28,888)
10,394,902	10,394,902		(1,056,270)
(840,602)	(840,602)		993,307
11,500	11,500		(11,500)
(829,102)	(829,102)		981,807
1,870,479	1,870,479		540,823
\$ 1,041,377	\$ 1,041,377	\$	1,522,630

Central Lyon Community School District
Notes to Required Supplementary Information ó Budgetary Reporting
Year ended June 30, 2014

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted and the District did not exceed its General Fund unspent authorized budget.

Central Lyon Community School District
Schedule of Funding Progress for the Retiree Health Plan
Required Supplementary Information
Year ended June 30, 2014

Year Ended June 30	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b- a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Coveraged Payroll ((b-a)/c)
2010	July 1, 2009	-	\$ 470,000	\$ 470,000	0%	\$ 4,128,910	11.38%
2011	July 1, 2009	-	470,000	470,000	0%	4,209,193	11.17%
2012	July 1, 2009	-	470,000	470,000	0%	4,234,007	11.10%
2013	July 1, 2012	-	291,820	291,820	0%	4,436,070	6.58%
2014	July 1, 2012	-	291,820	291,820	0%	4,694,077	6.22%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report

Central Lyon Community School District

Supplementary Information

Central Lyon Community School District
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

Schedule 1

	Special Revenue Funds			
	Management Levy	Student Activity	Public Education & Recreation Levy	Total
Assets				
Cash and cash equivalents:	\$ 200,914	\$ 161,508	\$ 179,144	\$ 541,566
Receivables:				
Property tax:				
Delinquent	2,064	-	310	2,374
Succeeding year	100,000	-	32,815	132,815
Accrued interest	-	63	-	63
Total assets	302,978	161,571	212,269	676,818
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	40	633	-	673
Salaries and benefits payable	52,000	-	-	52,000
Total liabilities	52,040	633	-	52,673
Deferred Inflows of Resources				
Unavailable revenue:				
Succeeding year property tax	100,000	-	32,815	132,815
Total deferred Inflows of resources	100,000	-	32,815	132,815
Fund equity:				
Restricted for:				
Management Levy	150,938	-	-	150,938
Student activities	-	160,938	-	160,938
Public education and recreation levy	-	-	179,454	179,454
Total fund balances	150,938	160,938	179,454	491,330
Total liabilities, deferred inflows of resources and fund balances	\$ 302,978	\$ 161,571	\$ 212,269	\$ 676,818

See accompanying independent auditor's report.

Central Lyon Community School District
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Nonmajor governmental Funds
Year Ended June 30, 2014

Schedule 2

	Special Revenue Funds			
	Management Levy	Student Activity	Public Education & Recreation Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 200,193	\$ -	\$ 30,002	\$ 230,195
Other	5,046	531,668	-	536,714
Total revenues	205,239	531,668	30,002	766,909
Expenditures:				
Current:				
Instruction:				
Regular instruction	52,000	-	-	52,000
Other instruction	-	544,089	-	544,089
Support services:				
Operation and maintenance of plant services	117,726	-	-	117,726
Total expenditures	169,726	544,089	-	713,815
Excess (deficiency) of revenues over (under) expenditures	35,513	(12,421)	30,002	53,094
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	35,513	(12,421)	30,002	53,094
Fund balances beginning of year	115,425	173,359	149,452	438,236
Fund balances end of year	\$ 150,938	\$ 160,938	\$ 179,454	\$ 491,330

See accompanying independent auditor's report.

Central Lyon Community School District
Schedule of Changes in Special Revenue Fund - Student Activity Accounts
Year Ended June 30, 2014

Schedule 3

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Interest Income	\$ 5,656	\$ 508	\$ 180	\$ 5,984
All School Play	2,170	1,244	85	3,329
Speech	-	1,058	1,058	-
Vocal	-	718	718	-
Band	290	1,294	1,584	-
Historical Plaza	960	800	-	1,760
Spanish Mexico Trip	2,145	1,286	500	2,931
Co-Ed Track	858	7,285	8,143	-
Co-Ed Golf	259	531	790	-
Art - Hoppe	390	300	-	690
Boys' Basketball - Summer	6,568	9,940	15,788	720
Football	3,859	21,340	23,713	1,486
Baseball	504	5,892	6,396	-
Baseball Trip	1,129	5,300	2,693	3,736
Wrestling	560	10,211	10,771	-
Wrestling Projects Camp	4,367	3,119	3,215	4,271
Girls' Basketball	2,686	16,410	19,096	-
Girls' Basketball - Summer	9,068	4,171	6,447	6,792
Volleyball	1,138	15,322	16,460	-
Softball	675	787	1,462	-
Field Trips	-	1,502	937	565
Pictures-Elementary & MS	1,144	1,607	1,590	1,161
Ticket/Cash Reserve	513	4,580	4,580	513
Book Orders	579	2,493	2,493	579
Dance Team	378	-	53	325
Donations	5,015	2,135	2,836	4,314
MS Cross Country	400	-	-	400
Adult Activity Tickets	-	3,800	5	3,795
Activity Tickets	15	11,332	11,307	40
Lion's Roar	2,457	10,233	7,749	4,941
Pictures-HS	830	930	342	1,418
National Honor Society	107	392	499	-
Middle School Cheerleaders	-	45	-	45
Student Council Scholarship	500	-	500	-
Vending Machine	2,565	2,271	3,017	1,819
Cheerleading	2,957	12,769	9,672	6,054
Summer Band Lessons	2,688	2,656	-	5,344
D.A.R.E. Program	483	-	241	242
Musical	391	3,874	4,258	7
Class of 2014	1,211	-	1,211	-
Class of 2015	2,701	3,143	4,559	1,285
Class of 2016	-	2,779	-	2,779
Class of 2017	1,338	-	1,338	-
FFA	6,532	85,824	87,738	4,618
Student Council	854	4,084	3,022	1,916

Central Lyon Community School District
Schedule of Changes in Special Revenue Fund - Student Activity Accounts
Year Ended June 30, 2014

Schedule 3

Account	Balance Beginning of Year	Revenues and Interfund Transfers	Expenditures	Balance End of Year
Middle School Student Council	1,809	3,934	4,647	1,096
Scholarship	750	-	250	500
Concessions	6,834	4,929	2,472	9,291
International Club	297	125	119	303
Testing Services	478	440	481	437
Magazines	5,090	3,156	8,246	-
Laura Ingalls Wilder Trip	293	585	878	-
Band Trip	19,706	60,163	78,009	1,860
Middle School Band Fundraiser	3	1,528	1,398	133
Title I	1,318	100	574	844
After Prom	1,182	7,663	5,399	3,446
All Sport Supplies	2,142	12,171	9,585	4,728
Volleyball Project	7,899	6,933	5,501	9,331
After Graduation Party	1,025	2,560	2,596	989
Book Fair	4,481	8,049	6,976	5,554
Robotics Club	1,820	4,620	6,440	-
NASA Trip	150	2,225	2,375	-
Quiz Bowl	58	132	190	-
EL-MS Fundraiser	13,042	12,432	8,709	16,765
Mock Trial - HS	-	300	300	-
Mock Trial - TAG MS	118	244	362	-
Football Project	6,245	8,045	13,382	908
Athletic Union Clinic	365	1,858	2,215	8
Booster Concessions	2,501	46,475	46,392	2,584
Music Booster	5,177	11,330	10,885	5,622
Athletic Booster	7,015	52,869	46,232	13,652
HS Pop Machine	1,791	1,175	1,390	1,576
Weight Room Fund	185	1,050	-	1,235
EL/MS Teachers Lounge	468	-	268	200
EL/MS Care Committee	1,359	235	538	1,056
HS Care Committee	572	340	232	680
HS Teachers Lounge	-	20	-	20
Lion Grant - CL Foundation	2,246	12,017	10,002	4,261
Totals	\$ 173,359	\$ 531,668	\$ 544,089	\$ 160,938

See accompanying independent auditor's report.

Central Lyon Community School District
Combining Balance Sheet
Capital Project Accounts
June 30, 2014

Schedule 4

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Assets			
Cash and cash equivalents:			
Other	\$ 690,611	\$ 173,984	\$ 864,595
Receivables:			
Property tax:			
Delinquent	-	2,482	2,482
Succeeding year	-	250,590	250,590
Local option sales taxes	207,840	-	207,840
Total assets	898,451	427,056	1,325,507
Liabilities, Deferred Inflows of Resources and Fund Balances			
Liabilities:			
Accounts payable	4,536	18,700	23,236
Total liabilities	4,536	18,700	23,236
Deferred Inflows of Resources			
Unavailable revenue:			
Succeeding year property tax	-	250,590	250,590
Total deferred Inflows of resources	-	250,590	250,590
Fund equity:			
Restricted for:			
School infrastructure	893,915	-	893,915
Physical plant and equipment	-	157,766	157,766
Total fund balances	893,915	157,766	1,051,681
Total liabilities, deferred inflows of resources and fund balances	\$ 898,451	\$ 427,056	\$ 1,325,507

See accompanying independent auditor's report.

Central Lyon Community School District
Combining Schedule of Revenues, Expenditures and Changes in
Fund Balances - Capital Project Accounts
Year Ended June 30, 2014

Schedule 5

	Capital Projects		
	Statewide Sales, Services and Use Tax	Physical Plant and Equipment Levy	Total
Revenues:			
Local sources:			
Local tax	\$ -	\$ 229,171	\$ 229,171
Other	14,329	17,191	31,520
State sources	579,148	-	579,148
Total revenues	593,477	246,362	839,839
Expenditures:			
Current:			
Instruction:			
Regular instruction	8,213	55,804	64,017
Support services:			
Operation and maintenance of plant services	-	13,403	13,403
Transportation services	-	58,420	58,420
Other expenditures:			
Facilities acquisition	193,116	60,924	254,040
Total expenditures	201,329	188,551	389,880
Excess (deficiency) of revenues over (under) expenditures	392,148	57,811	449,959
Other financing sources (uses):			
Operating transfers out	(104,524)	-	(104,524)
Total other financing sources (uses)	(104,524)	-	(104,524)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	287,624	57,811	345,435
Fund balances beginning of year	606,291	99,955	706,246
Fund balances end of year	\$ 893,915	\$ 157,766	\$ 1,051,681

See accompanying independent auditor's report.

Central Lyon Community School District
Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds
For the Last Ten Years

Modified Accrual Basis				
	2014	2013	2012	2011
Revenues:				
Local sources:				
Local tax	\$ 3,393,945	\$ 3,889,013	\$ 3,646,812	\$ 3,509,119
Tuition	114,019	94,157	73,976	63,638
Other	845,572	838,415	720,609	835,323
Intermediate sources	285,644	280,047	279,254	298,195
State sources	4,174,900	3,505,913	3,605,959	3,215,266
Federal sources	267,456	233,420	410,164	351,946
Total	<u>\$ 9,081,536</u>	<u>\$ 8,840,965</u>	<u>\$ 8,736,774</u>	<u>\$ 8,273,487</u>
Expenditures:				
Instruction:				
Regular instruction	3,833,491	3,747,957	3,646,126	3,426,096
Special instruction	1,058,822	1,131,993	1,091,570	1,091,919
Other instruction	1,078,904	959,881	894,804	872,839
Support services:				
Student services	68,930	58,028	45,963	46,995
Instructional staff services	234,805	236,768	185,187	245,900
Administration services	693,724	582,903	537,197	601,139
Operation and maintenance of plant services	678,000	682,316	610,509	667,598
Transportation services	382,960	380,358	276,341	260,489
Central support services	-	-	-	-
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	254,040	275,356	184,177	633,795
Long-term debt interest	17,830	33,154	47,635	61,258
AEA flow through	285,644	280,047	279,254	298,195
Total	<u>\$ 8,587,150</u>	<u>\$ 8,368,761</u>	<u>\$ 7,798,763</u>	<u>\$ 8,206,223</u>

See accompanying independent auditor's report.

Schedule 6

2010	2009	2008	2007	2006	2005
\$ 3,044,831	\$ 3,007,229	\$ 3,044,518	\$ 3,172,532	\$ 2,820,372	\$ 2,882,019
135,603	66,362	67,869	75,068	61,414	45,744
754,445	764,725	865,101	871,648	728,559	733,323
283,786	255,284	251,512	239,138	221,103	213,226
2,663,954	3,091,758	3,144,637	2,963,719	2,736,897	2,609,205
622,796	257,675	167,745	175,968	252,788	218,516
<u>\$ 7,505,415</u>	<u>\$ 7,443,033</u>	<u>\$ 7,541,382</u>	<u>\$ 7,498,073</u>	<u>\$ 6,821,133</u>	<u>\$ 6,702,033</u>
3,279,173	2,904,125	2,781,160	2,449,678	2,320,020	2,285,783
944,806	997,406	835,361	749,445	781,642	796,275
956,756	910,692	986,904	985,118	889,989	881,045
47,107	59,196	116,078	112,575	121,286	114,945
239,413	240,331	216,151	181,289	186,607	199,852
649,455	654,000	633,045	641,516	669,738	571,298
562,459	548,928	533,322	514,587	532,040	534,986
225,469	192,200	285,118	242,262	176,692	162,149
-	-	-	-	-	1,195
-	-	-	-	-	-
168,723	202,433	216,280	37,062	91,995	-
74,220	87,295	99,028	106,853	194,979	294,571
283,786	255,284	251,512	239,138	221,103	213,226
<u>\$ 7,431,367</u>	<u>\$ 7,051,890</u>	<u>\$ 6,953,959</u>	<u>\$ 6,259,523</u>	<u>\$ 6,186,091</u>	<u>\$ 6,055,325</u>

EAST, VANDER WOUDE, GRANT & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

www.evwg.net

Paul T. East, CPA
Paul W. Vander Woude, CPA
Rose M. Grant, CPA, MST

707 WEST 11th STREET
Sioux Falls, SD 57104
(605)334-9111
(605)334-2195 FAX

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of
Central Lyon Community School District:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Central Lyon Community School District as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 23, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Central Lyon Community School District's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Central Lyon Community School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Central Lyon Community School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weaknesses is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Central Lyon Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Central Lyon Community School District's Responses to Findings

Central Lyon Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. Central Lyon Community School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Central Lyon Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

East, Vander Woude, Grant & Co., P.C.

East, Vander Woude, Grant & Co., P.C.

Certified Public Accountants

Sioux Falls, South Dakota

December 23, 2014

Central Lyon Community School District
Schedule of Findings
Year Ending June 30, 2014

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCY:

I-14-A The School District's internal control structure should be designed to provide for the preparation of the financial statements being audited. The School District requested the external auditors to prepare the financial statements and related note disclosures as part of our regular audit services.

Recommendation ó it is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. During 2006, a new auditing standard from the American Institute of Certified Public Accountants, SAS 112, became effective. This statement requires auditors to communicate this situation to the state as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and notes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this new auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation ó It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response ó We are aware of the risk associated with not preparing our financial statements, but believe our review of the financial statements to be adequate to reduce this risk.

Conclusion ó Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Central Lyon Community School District
Schedule of Findings
Year Ending June 30, 2014

Part II: Other Findings Related to Required Statutory Reporting:

- II-14-A Certified Budget ó No expenditures for the year ended June 30, 2014, exceeded the amount budgeted in any function area.
- II-14-B Questionable Expenditures ó No expenditures were noted that might not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-14-C Travel Expense ó No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-14-D Business Transactions ó Business transactions between the District and District officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ken Kuehl, Employee,	Electrical work	\$3,855.26
Amy Jans, Spouse of Board Member, Owner of Rock Paper Scissors	Purchased supplies	\$6,753.65
David Fields, Employee, Rapid Grow Lawn	Maintenance of Grounds	\$17,566.25
Mark McCarty, Employee McCarty Repair	Vehicle Repair Service	\$9,841.39
Terry VanBerkum, Employee Carpet Layer	Laid carpet in classrooms	\$761.79

In accordance with an Attorney General's opinion dated November 9, 1996, the transactions with Ken Kuehl, Amy Jans, Dave Fields, Mark McCarty, and Terry VanBerkum were subjected to competitive bidding processes.

The three local banks in Rock Rapids that the District has accounts with employ related parties, all transactions with these bank are in the course of normal banking transactions.

- II-14-E Bond Coverage ó Surety bond coverage of District officials and employees is in accordance with statutory provisions. Coverage amounts should be reviewed annually to insure adequacy for current operations.
- II-14-F Board Minutes ó No transactions requiring Board approval, which had not been approved by the Board, were noted.
- II-13-G Certified Enrollment ó No variances in the basic enrollment data certified to the Iowa Department of Education were noted.
- II-14-H Supplementary Weighting ó No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-14-I Deposits and Investments ó No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

Central Lyon Community School District
Schedule of Findings
Year Ending June 30, 2014

- II-14-J Certified Annual Report ó The Certified Annual Report was certified timely to the Iowa Department of Education.
- II-14-K Categorical Funding ó No instances were noted of categorical funding used to supplant rather than supplement other funds.
- II-14-L Statewide Sales and Services Tax ó No instances of non-compliance with the use of the statewide sales and services tax provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales and services tax. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2014, the District's financial activity and other required information for the statewide sales and services tax are as follows:

Statewide sales and services transactions and ending balances	
Beginning balance	\$ 541,925
Statewide sales and services tax revenue	579,148
Expenditures/transfers out:	
School infrastructure:	
Land	
Buildings	
Equipment	
Other improvements	(193,116)
Debt service for school infrastructure:	
Revenue debt	
General obligation debt	(104,524)
	<u>(297,640)</u>
Ending balance	<u>\$ 823,433</u>

For the year ended June 30, 2014, the District did not reduce any levies as a result of the moneys received under Chapter 423F.5 of the Code of Iowa.

- II-14-M Deficit Balances ó There were no funds with a deficit balance at June 30, 2014.
- II-14-N Student Activity Fund ó In accordance with Chapter 298A.8 of the Code of Iowa and Iowa Administrative Rule 281-12.6(1), monies in the Student Activity Fund should be used to support only the extracurricular and co-curricular activities offered as part of the District's educational program. All accounts reported in the Special Revenue, Student Activity Fund appear to be extracurricular or co-curricular in nature.